FCC Form 481 - Carrier Annual Reporting Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	401726
<015>	Study Area Name	TRI-COUNTY TEL CO-AR
<020>	Program Year	2014
<030>	Contact Name: Person USAC should contact with questions about this data	John Strode
<035>	Contact Telephone Number: Number of the person identified in data line <030>	8703362345
<039>	Contact Email Address: Email of the person identified in data line <030>	John.Strode@RitterCommunications.com

ANNUAL REPORTING FOR ALL CARRIERS

(check box when complete)

Line	Item	Entry	Instruction	54.313 Completion Required	54.422 Completion Required
<100>	Service Quality Improvement Reporting		*(complete attached worksheet)*		
<200>	Outage Reporting (voice)		*(complete attached worksheet)*	✓	✓
<210>		✓ <-- check box if no outages to report			
<300>	Unfulfilled Service Requests (voice)	0		✓	
<310>	Detail on Attempts (voice)		*(attach descriptive document)*		
<320>	Unfulfilled Service Requests (broadband)				
<330>	Detail on Attempts (broadband)		*(attach descriptive document)*		
<400>	Number of Complaints per 1,000 customers (voice)			✓	✓
<410>	Fixed	0.0			
<420>	Mobile	0.0			
<430>	Number of Complaints per 1,000 customers (broadband)				
<440>	Fixed				
<450>	Mobile				
<500>	Service Quality Standards & Consumer Protection Rules Compliance		*(check to indicate certification)*	✓	✓
<510>		401726ar510	*(attached descriptive document)*	✓	✓
<600>	Functionality in Emergency Situations		*(check to indicate certification)*	✓	✓
<610>		401726ar610	*(attached descriptive document)*	✓	✓
<700>	Company Price Offerings (voice)		*(complete attached worksheet)*		
<710>	Company Price Offerings (broadband)		*(complete attached worksheet)*		
<800>	Operating Companies and Affiliates		*(complete attached worksheet)*	✓	✓
<900>	Tribal Land Offerings (Y/N)?		*(if yes, complete attached worksheet)*		
<1000>	Voice Services Rate Comparability		*(check to indicate certification)*		
<1010>			*(attach descriptive document)*		
<1100>	Terrestrial Backhaul (Y/N)?		*(if not, check to indicate certification)*	✓	
<1110>			*(complete attached worksheet)*		
<1200>	Terms and Condition for Lifeline Customers		*(complete attached worksheet)*		✓

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

Line	Instruction	54.313	54.422
<2000>	*(check to indicate certification)*		
<2005>	*(complete attached worksheet)*		

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

Line	Instruction	54.313	54.422
<3000>	*(check to indicate certification)*	✓	
<3005>	*(complete attached worksheet)*	✓	

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
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<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

<810>	Reporting Carrier	Tri-County Telephone Company, Inc.
<811>	Holding Company	Ritter Communications Holdings, Inc.
<812>	Operating Company	

<813>

<a1>	<a2>	<a3>
Affiliates	SAC	Doing Business As Company or Brand Designation

-- See attached worksheet --

(1100) No Terrestrial Backhaul Reporting
Data Collection Form

FCC Form 481
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July 2013

<010>	Study Area Code	401726
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<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G) ☑

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G) ☑

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	401726
<015>	Study Area Name	TRI-COUNTY TEL CO-AR
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	John Strode
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703362345
<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

<1210> Terms & Conditions of Voice Telephony Lifeline Plans — 401726ar1210
Name of attached document (.pdf)

<1220> Link to Public Website — HTTP

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☑

<1222> Details on the number of minutes provided as part of the plan, ☑

<1223> Additional charges for toll calls, and rates for each such plan. ☑

(3000) Rate Of Return Carrier Additional Documentation	FCC Form 481
Data Collection Form	OMB Control No. 3060-0986/OMB Control No 3060-0819
	July 2013

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CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Progress Report on 5 Year Plan

(3010)	Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012,	Name of Attached Document Listing Required Information	☐
(3011)	contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.		
(3012)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))		✓ (Yes/No)
(3014)	If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:		☐ (Yes/No)
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		☐
(3016)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		☐
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?		✓ (Yes/No)
	If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains :		
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications		✓
(3020)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		✓
(3021)	Management letter issued by the independent certified public accountant that performed the company's financial audit.		✓
	If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:		
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,		☐
(3023)	Underlying information subjected to a review by an independent certified public accountant		☐
(3024)	Underlying information subjected to an officer certification.		☐
(3025)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		☐
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	401726ar3026

Certification - Reporting Carrier
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
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<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients

I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.

Name of Reporting Carrier: TRI-COUNTY TEL CO-AR

Signature of Authorized Officer: CERTIFIED ONLINE Date 10/10/2013

Printed name of Authorized Officer: John Strode

Title or position of Authorized Officer: VP External Affairs

Telephone number of Authorized Officer: 870.336.2345

Study Area Code of Reporting Carrier: 401726 Filing Due Date for this form: 10/15/2013

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Attachments

In establishing this certification in its *2005 ETC Order*,[1] the FCC found that an ETC must make "a specific commitment to objective measures to protect consumers."[2] The Commission found that for wireless ETCs, compliance with CTIA's Consumer Code for Wireless Service would satisfy this requirement" and that the sufficiency of other commitments would be considered on a case-by-case basis.[3] In this context, the FCC stated, "to the extent a wireline or wireless ETC applicant is subject to consumer protection obligations under state law, compliance with such laws may meet our requirement."[4]

Tri-County Telephone Company, Inc. ("Company") hereby certifies that it is complying with applicable service quality standards and consumer protection rules. The Company is subject to consumer protection obligations under state law. These obligations include, but are not limited to, the following:

(1) filing a Local Exchange Tariff pursuant to the requirements of the Arkansas Public Service Commission (APSC) which disclose rates, terms and conditions of service to customers;

(2) consumer protection requirements governing telephone providers which require adherence to APSC's Telecommunications Providers Rules governing service supplied by Telephone Providers (TP). The basic utility obligations include: (a) Each

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[1] *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) ("*2005 ETC Order*").
[2] *Id.* at para. 28.
[3] *Id.* The FCC noted that under the CTIA Consumer Code, wireless carriers agree to: "(1) disclose rates and terms of service to customers; (2) make available maps showing where service is generally available; (3) provide contract terms to customers and confirm changes in service; (4) allow a trial period for new service; (5) provide specific disclosures in advertising; (6) separately identify carrier charges from taxes on billing statements; (7) provide customers the right to terminate service for changes to contract terms; (8) provide ready access to customer service; (9) promptly respond to consumer inquiries and complaints received from government agencies; and (10) abide by policies for protection of consumer privacy." *Id.* at n. 71.
[4] *Id.* at n. 72.

telephone provider shall provide all services and offerings on a continuous 24 hour basis. For example: (i) Local and toll switched or non-switched circuits and functions. (ii) Equipment or personnel to receive customer trouble reports; and (iii) Emergency repair service. Each TP shall operate and maintain its entire system so that service is safe, adequate, and reliable. Each TP shall inspect its entire system as necessary to have a reasonable knowledge of the system's condition at all time.

(3) In accordance with APSC Rule 2.01.B, E. Ritter Telephone Company provides the following information in the Customer Information section of its directory (Pages 3 – 13 of the 2013 Directory):

(a) A list and description of all rates for basic local exchange access service and any discounts which would apply to that service;

(b) All billing plans and options available to the customer;

(c) A summary of rules and procedures for the payment, refund, and guarantee of deposits;

(d) A summary of billing rules and procedures;

(e) An itemized bill description, if not shown on the bill;

(f) Procedures for verifying the accuracy of a bill;

(g) A description of any automatic adjustment charge;

(h) A summary of the rules and procedures for paying bills to include payments made to authorized payment agents;

(i) A summary of the delayed payment agreement rules and procedures – information on delayed payment agreements shall say that a customer who is having difficulty paying a LEC bill may, if qualified, make payments in installments;

(j) A summary of the rules and procedures for suspension, reconnection, and termination of service;

(k) The options available to customers to avoid shut-off of service when a customer is away for an extended period;

(l) A summary of the rules and procedures for giving someone else notice before shutting off a customer's service (Third-Party Notification procedures);

(m) A summary of the rules and procedures for helping households avoid shut-off when there is a serious medical condition, elderly customer, or customer who is an individual with disabilities;

(n) The local and/or toll-free telephone numbers, and a statement that the customer may contact the LEC for a list of authorized payment agents in the customer's area;

(o) Procedures for making a complaint to the LEC and the APSC;

(p) Toll-free and local telephone numbers of the APSC and the mailing and street address of the APSC;

(q) A statement that these Rules are available through each LEC's business office.

Customer billing guidelines set forth in APSC Telephone Providers Rules Section 5 Billing state that each bill shall contain the following information:

1. Name and telephone number or identifying number under which service is billed;
2. The beginning and ending dates of the billing period;

3. The net amount of all payments and other credits made to the account during the billing period;
4. Any previous balance due;
5. The amount of any "late payment charge" and an explanation of when it will apply;
6. The date the bill was mailed;
7. A list of all charges or credits, including: a) Deposit installments; b) Deposit refunds; c) Automatic adjustments; d) Customer or minimum charges; e) Taxes, listed by kind; f) Charges for other utility service; g) Charges for non-utility merchandise, service or equipment; h) Basic service; i) Federal end user common line charge j) Equipment; k) Custom calling services.
8. If a LEC uses industry-specific abbreviations for terms that explain the billing, it shall identify them on the bill;
9. A statement that the customer may contact the LEC about any problem with billing or service, or for a delayed payment agreement. The statement shall include an address and a telephone number where customers can call the LEC without charge.

In addition, the Company is subject to consumer protection obligations under state law relating to truth-in-billing requirements, CPNI, Red Flag Rules and other applicable federal and state requirements governing the protection of customers' privacy.

Tri-County Telephone Co., Inc. (The Company), hereby certifies that it is able to function in emergency situations as set forth in §54.202(a)(2).[1] The Company's network is designed to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can change call routing translations as needed to reroute traffic around damaged facilities. Changing call routing translations will also allow the Company to manage traffic spikes throughout its network, as emergency situations require.

Specifically, each central office building is supplied with standby generators and battery back-up that enable the central office to keep running until power is restored so long as fuel is available, or until system changes are made to reroute traffic. The Company has battery backup at all office locations and in its electronic equipment sites. Length of run time is determined by the equipment serving the area and the number of customers working out of the equipment. Generators are installed at all Central Office locations. They will continue to run as long as the Company has access to fuel for generators.

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[1] Section 54.202(a)(2) requires ETCs that are designated by the Commission to "demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations."

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

<810>	Reporting Carrier	Tri-County Telephone Company, Inc.
<811>	Holding Company	Ritter Communications Holdings, Inc.
<812>	Operating Company	

<813>

<a1> Affiliates	<a2> SAC	<a3> Doing Business As Company or Brand Designation
Millington Telephone Company, Inc.	290571	Ritter Communications
E. Ritter Telephone Company, Inc.	401722	Ritter Communications

40172601210.pdf

ARKANSAS PUBLIC SERVICE COMMISSION

Section V

1st Revised Sheet No. 6 Replacing Original Sheet No. 6

ALL EXCHANGES

TRI-COUNTY TELEPHONE COMPANY

LOCAL EXCHANGE SERVICE (Cont'd)

PSC File Mark Only

14. LIFELINE

14.1 Service

Lifeline Service is a service offered to certain qualified residential customers of the Company. This service provides for a discount from the local access rate charged by the Company.

Lifeline Service is a service offered to certain qualified residential customers of the Company. This service provides for a discount from the local access rate charged by the Company.

The Company will also seek a waiver to the maximum amount authorized by the Federal Communications Commission ("FCC") of the federal customer line charge ("SLC") to be applied under its approved lifeline plan.

14.2 Qualification

(CT) Lifeline Service is available only to Food Stamp, federal public housing assistance or Section 8 programs, Low Income Home Energy Assistance Program, Medicaid (including Supplemental Security Income), Aid to Families with Dependent Children recipients, recipients of Temporary Assistance to Needy Families, participants in the National School Lunch's free lunch program, or families whose household income falls below 135% of the Federal Poverty Guideline. A directory listing (if desired) and billing for Lifeline Service will only be provided in the name of and at the address of the certified recipient.

(CT) Lifeline Service customers will self certify on an annual basis that they continue to be eligible for this service.

(AT)

14.2.1 The customer will certify under penalty of perjury that the information supplied at the time of application for Lifeline service is accurate. The Company will obtain sufficient documentation from the customer to verify that the customer qualifies for Lifeline and an officer of the Company will certify that the Company has procedures to review the application of Lifeline Service in accordance with 47 U.S.C. Part 54.

(AT)

ARKANSAS PUBLIC SERVICE COMMISSION

Section V

1st Revised Sheet No. 7 Replaces Original Sheet No. 7

ALL EXCHANGES

TRI-COUNTY TELEPHONE COMPANY

LOCAL EXCHANGE SERVICE (Cont'd)

PSC File Mark Only

14.3 Rates

The amount of the Lifeline Service discounted rate, which will be deducted from the normal residential access rate is as follows:

(CT) One-Party Residential$2.75

The above amount will be in addition to any reduction in the SLC by the FCC.

KPMG

SAC 401726

401726ar3026.pdf.

TRI-COUNTY TELEPHONE COMPANY, INC.

Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG LLP
Morgan Keegan Tower
Suite 900
50 North Front Street
Memphis, TN 38103-1194

Independent Auditors' Report

The Board of Directors
Tri-County Telephone Company, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Telephone Company, Inc. (the Company) (a wholly owned subsidiary of E. Ritter Communications Holdings, Inc.), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Tri-County Telephone Company, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

March 28, 2013

TRI–COUNTY TELEPHONE COMPANY, INC.

Balance Sheets

December 31, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	$ [redacted]	
Accounts receivable, net		
Materials and supplies		
Prepaid expenses		
Deferred income taxes		
Income taxes receivable from E. Ritter & Company		
Total current assets		
Noncurrent assets:		
Nonregulated investments, net		
Investments		
Deferred charges		
Total noncurrent assets		
Telephone plant:		
In-service		
Under construction		
Total telephone plant		
Less accumulated depreciation		
Net telephone plant		
	$	
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	$	
Due to affiliates		
Current maturities of capital lease obligations		
Income taxes payable to E. Ritter & Company		
Accrued expenses		
Customer deposits and advance billings		
Total current liabilities		
Long-term liabilities and deferred credits:		
Capital lease obligations		
Deferred income taxes		
Total long-term liabilities and deferred credits		
Stockholder's equity:		
Common stock, [redacted] par value; Authorized [redacted] shares; issued and outstanding [redacted] shares		
Additional paid-in capital		
Retained earnings		
Total stockholder's equity		
	$	

See accompanying notes to financial statements.

TRI–COUNTY TELEPHONE COMPANY, INC.

Statements of Income and Retained Earnings

Years ended December 31, 2012 and 2011

	2012	2011
Operating revenues:		
Local service	$ [redacted]	
Network access		
Long distance		
Other		
Nonregulated sales		
Total operating revenues		
Operating expenses:		
Plant operations		
Depreciation and amortization		
Customer operations		
Corporate operations		
Nonregulated expenses		
Taxes – other than income taxes		
Total operating expenses		
Operating income		
Other income (expense):		
Interest income		
Interest expense		
Total other expense, net		
Income before income taxes		
Provision for income taxes		
Net income		
Retained earnings:		
Beginning of year		
Dividends		
End of year	$	

See accompanying notes to financial statements.

TRI–COUNTY TELEPHONE COMPANY, INC.

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Net income	$ [redacted]	
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash operating activities:		
Depreciation and amortization		
Change in deferred credits		
Change in deferred income taxes		
Uncollectible operating revenues		
Loss on sale of property, plant and equipment		
Changes in operating assets and liabilities:		
Accounts receivable		
Materials and supplies		
Deposits and prepaid expenses		
Accounts payable		
Due to affiliates		
Other current liabilities		
Income taxes		
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from the sale of property, plant and equipment		
Purchase of property, plant and equipment		
Purchase of investments		
Net cash used in investing activities		
Cash flows from financing activity:		
Borrowings under capital lease obligations		
Payment of capital lease obligations		
Payment of dividends		
Net cash used in financing activity		
Net decrease in cash and cash equivalents		
Cash and cash equivalents:		
Beginning of year		
End of year		
Supplemental cash flow disclosures:		
Interest paid		
Income taxes paid		

See accompanying notes to financial statements.

TRI–COUNTY TELEPHONE COMPANY, INC.

Notes to Financial Statements

December 31, 2012 and 2011

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Tri-County Telephone Company, Inc. (the Company) is a wholly owned subsidiary of E. Ritter Communications Holdings, Inc. (RCH or the Parent), which is a wholly owned subsidiary of E. Ritter & Company (ERC).

The Company provides local service, network access, high speed data service, long-distance, and other telecommunications products and services to businesses and individuals in portions of Newton, Boone, Carroll, and Searcy Counties in Arkansas. As of December 31, 2012 and 2011, the Company was providing local service to [redacted] access lines, respectively, and residential high speed data service to [redacted] customers, respectively. In addition, approximately [redacted] of the Company's local service customers had selected the Company as their primary long distance carrier as of December 31, 2012 and 2011. The Company also provides cable television (CATV) services to [redacted] customers as of December 31, 2012 and 2011, respectively.

(b) General Disclosure of Regulatory Matters

The Company's telephone operations are regulated in nature and its telephone accounting records are maintained in accordance with the rules and regulations of the Arkansas Public Services Commission (APSC), which substantially adhere to the rules and regulations of the Federal Communications Commission. The Company's regulated operations are subject to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*. The Company's regulated operations were subject to the provisions of regulatory accounting under which actions by regulators can provide reasonable assurance of the recognition of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to regulatory accounting.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results realized may differ from these estimates.

(d) Cash Equivalents

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

(Continued)

(e) ***Materials and Supplies***

Inventories are valued at the lower of cost (determined using average cost method) or market, except for copper wire and fiber optic cable inventories, which are valued at the lower of cost (determined using specific-identification method) or market.

(f) ***Telephone Plant and Depreciation***

Telephone plant in-service is stated at original cost, including general overhead capitalized and an allowance for funds used during construction. For financial reporting purposes, the Company provides for depreciation using straight-line composite rates over the estimated useful lives of the assets. Telephone plant not subject to regulation is included in nonregulated investments.

When telephone plant is retired, the original cost, net of salvage, is charged against accumulated depreciation. The cost of maintenance and repairs of telephone plant, including the cost of replacing minor items not affecting substantial betterments, is charged to maintenance expense as incurred. When nonregulated property is retired, the cost of the property and the related accumulated depreciation are removed from the balance sheet, and any gain or loss on the transaction is recorded.

(g) ***Long-Lived Assets***

The Company reviews the carrying value of long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

(h) ***Revenue Recognition – Network Access and Long-Distance Settlements***

Revenues are recognized when earned and are primarily derived from usage of the Company's local exchange networks and facilities. The Company accrues unbilled revenues earned from the date of the customers' last billing to the end of the accounting period. Certain toll and access service revenues are estimated under cost separation procedures that base revenues on current operating costs and investments in facilities to provide such services.

The Company also participates in revenue pooling arrangements with other local service providers. Such pools were funded by local interexchange carriers and other providers of telecommunications services. Settlements with these revenue pooling arrangements are subject to retroactive adjustments from the pool members. The impacts of these adjustments are recorded in the period in which they are reported to the applicable pool administrator. During 2012 and 2011, the Company recorded out-of-period pooling adjustments of [redacted] (increase to earnings) and [redacted] (decrease to earnings), respectively, in network access revenue.

(i) ***Income Taxes***

Income taxes are accounted for using the asset and liability method. Deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to

(Continued)

future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The Company is included in the ERC consolidated federal and state tax returns. Income tax expense is calculated on a separate return computational basis.

The Company recognizes tax positions which are more likely than not to be sustained. The Company has determined that it does not have any material unrecognized tax benefits as of December 31, 2012. Years ending on or after December 31, 2010 remain subject to examination by federal and state authorities.

(j) *Statement of Comprehensive Income*

The Company does not have accumulated other comprehensive income. Accordingly, a statement of comprehensive income has not been presented.

(k) *Accounts Receivable*

Accounts receivable are stated at the historical carrying amounts net of write-offs and allowances for doubtful accounts. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables determined on the basis of historical experience, market conditions, current trends, and any specifically identified customer collection issues. Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when the Company has determined that collection of the balance is unlikely. At December 31, 2012 and 2011, the Company had recorded allowances of [redacted], respectively.

(l) *Fair Value of Assets and Liabilities*

The Company has estimated the fair value of its financial instruments using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop certain estimates of fair value. Accordingly, certain estimates are not necessarily indicative of the amounts that the Company would realize in a current market exchange.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and due to affiliates approximates fair value because of the short maturity of those instruments. The fair value of the Company's capital lease obligations are based on discounted cash flow analysis using the Company's incremental borrowing rate for similar types of borrowing arrangements and approximates fair value.

(m) *Subsequent Events*

The Company has evaluated the effect subsequent events would have on the financial statements through March 28, 2013, which was the date the financial statements were available to be issued.

(2) Telephone Plant

Telephone plant in-service at December 31 is summarized as follows:

	Estimated useful lives	2012	2011
Land	[redacted]		
Support assets			
Central office switching			
Central office transmission			
Originating/terminating assets			
Cable and wire facilities			

Depreciation expense for telephone plant was [redacted] for 2012 and 2011, respectively. Such provision, as a percentage of the average balance of telephone plant in service, was [redacted] in 2012 and 2011, respectively. The Company periodically evaluates the depreciable lives of its property, plant and equipment and makes adjustments to its depreciation rates accordingly.

(3) Income Taxes

The provision (benefit) for income taxes attributable to the Company's regulated and nonregulated activities is as follows:

	2012		
	Regulated	Nonregulated	Total
Current:			
Federal	$ [redacted]		
State			
Deferred:			
Federal			
State			
	$		

(Continued)

TRI–COUNTY TELEPHONE COMPANY, INC.

Notes to Financial Statements

December 31, 2012 and 2011

		2011		
		Regulated	Nonregulated	Total
Current:				
Federal	$	[redacted]		
State				
Deferred:				
Federal				
State				
	$			

The differences between the federal statutory rate and the Company's effective tax rate are as follows:

	2012	2011
Federal statutory rate	[redacted]	
State income tax – net of federal benefit		
Other		

The tax effects of temporary differences that give rise to significant components of the Company's deferred income taxes at December 31 are as follows:

		2012	2011
Current deferred tax assets (liabilities):			
Allowance for doubtful accounts	$	[redacted]	
Other			
Net current deferred tax assets	$		
Noncurrent deferred tax assets (liabilities):			
Telephone plant	$		
Other			
Noncurrent deferred tax liabilities	$		

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical

(Continued)

taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences at December 31, 2012. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

(4) Nonregulated Investments, Net

Nonregulated investments, net at December 31 consist of the following:

	Estimated useful lives	2012	2011
Customer premises equipment	[redacted]		
Public telephone equipment			
CATV equipment			
Accumulated depreciation			
Inventory			

Property and equipment included in nonregulated investments in the accompanying balance sheets are stated at original cost. Depreciation on nonregulated investments other than CATV equipment is computed using the straight-line method for both financial reporting and income tax purposes over an estimated useful life of five years. Depreciation on CATV equipment is computed using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. CATV estimated useful lives range from three to twelve years. Depreciation expense of the nonregulated property and equipment was [redacted] for 2012 and 2011, respectively.

TRI–COUNTY TELEPHONE COMPANY, INC.

Notes to Financial Statements

December 31, 2012 and 2011

Income from nonregulated investments is as follows:

	2012	2011
Sales:		
Customer premises equipment revenues	$ [redacted]	
Dial-up internet access		
CATV Revenue		
Other income		
Total sales		
Expenses:		
Cost of customer premises equipment		
Internet access		
CATV expense		
Depreciation and amortization		
Loss on sale of assets		
General and administrative		
Other expenses		
Total expenses		
Pretax loss from nonregulated investments	$	

(5) Operating Leases

The Company leases certain real estate and equipment under operating leases. Rental expense under these leases was [redacted] in 2012 and 2011, respectively. Future minimum lease payments under these leases are as follows:

2013	$ [redacted]
2014	
2015	
2016	
2017	
Thereafter	
	$

(6) Employee Benefit Plans

The Company leases all of its employees from RCH, and all related costs are allocated to the Company.

(Continued)

The Company participates with ERC and ERC's subsidiaries in a noncontributory defined benefit pension plan (the Plan) covering substantially all of the employees of ERC and its subsidiaries. Pension benefits are based on an employee's years of credited service and compensation. ERC's funding policy is to satisfy the funding requirements of the Employee Retirement Income Security Act of 1974. Expenses for 2012 and 2011 related to this plan were [redacted], respectively, and are included in the allocation of employee costs from RCH.

The Company participates with ERC and ERC's subsidiaries in an employee savings plan under Section 401(k) of the Internal Revenue Code (the 401(k) Plan) covering substantially all full-time employees of ERC and its subsidiaries. Employees may elect to contribute a portion of their eligible pretax compensation up to certain specified limits. The Company also makes annual contributions to the 401(k) Plan. Expenses for 2012 and 2011 related to this plan were [redacted], respectively, and are included in the allocation of employee costs from RCH.

(7) Related-Party Transactions

Significant portions of accounting and administrative services are provided to the Company by RCH. These services are primarily billed to the Company in the form of a management fee. Charges to the Company from affiliated entities are calculated based upon cost and a rate of return to provide such services as prescribed by the regulatory process. Charges for these services are as follows:

		2012	2011
Operating revenues:			
Charges to affiliates for software maintenance	$	[redacted]	
Operating expenses:			
Management fees – RCH	$		
Other expenses:			
Interest expense	$		

The company was allocated imputed interest costs from RCH based on RCH's capital structure, which totaled [redacted] in 2012 and 2011, respectively.

Receivables (payables) arising from related-party transactions at December 31 are as follows:

		2012	2011
E. Ritter Communications, Inc.	$	[redacted]	
Ritter Cable Corporation			
Millington CATV, Inc.			
E. Ritter Telephone Company			
RCH			
	$		

(Continued)

TRI–COUNTY TELEPHONE COMPANY, INC.

Notes to Financial Statements

December 31, 2012 and 2011

(8) Concentrations of Credit Risk

During 2012 and 2011, net revenue settlements received from the National Exchange Carriers Association represented [redacted], respectively, of total revenues. During 2012 and 2011, net revenue settlements received from the Arkansas Universal Service Fund represented [redacted], respectively, of total revenues. No other entity accounted for more than [redacted] of revenues during 2012 and 2011.

Ritter COMMUNICATIONS 870.336.3434 1.888.336.4249 870.336 3401 2400 Ritter Drive, Jonesboro, AR 72401 www.getritter.info

March 27, 2013

KPMG LLP
50 N Front St #900
Memphis, TN 38103-1109

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the balance sheets of Tri-County Telephone Company, Inc. (the Company) as of December 31, 2012 and 2011the related statements of income and retained earnings, and cash flows for each of the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Company in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of March 29, 2013, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 28, 2012, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

   b. Additional information that you have requested from us for the purpose of the audits;

   c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and

   d. All minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no:

   a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

   b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.

   c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.

   d. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

   e. Events that have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the financial statements.

5. All known actual or possible litigation and claims have been accounted for and considered for disclosure in accordance with ASC 450, *Contingencies*.

6. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

7. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud; for adopting sound accounting policies; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud.

8. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Company's ability to initiate, authorize, record, process, or report financial data. *We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265, Communicating Internal Control Related Matters Identified in an Audit.*

9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

10. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

    a. Management

    b. Employees who have significant roles in internal control over financial reporting, or

    c. Others where the fraud could have a material effect on the financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

12. The Company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

13. We have no knowledge of any officer of the Company, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate or mislead you during your audit.

14. The following have been properly recorded or disclosed in the financial statements:

    a. Related party relationships and transactions, of which we are aware, in accordance with the requirements of U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.

    b. Guarantees, whether written or oral, under which the Company is contingently liable, including guarantee contracts and indemnification agreements pursuant to FASB ASC 460, *Guarantees*.

    c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275, *Risks and Uncertainties*.

    Significant estimates are estimates at the balance sheet date, which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which it is reasonably possible that events could occur which would significantly disrupt normal finances within the next year.

    d. Significant common ownership or management control relationships requiring disclosure.

    e. Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements.

    f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.

    g. Agreements to repurchase assets previously sold, including sales with recourse.

    h. Changes in accounting principle affecting consistency.

    i. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

15. The Company has complied with all aspects of laws, regulations, and contractual agreements that may affect the financial statements, in the event of noncompliance.

16. There have been no:

    a. Instances of fraud that could have a material effect on the adjustments.

    b. Allegations, either written or oral, of misstatements or other misapplication of accounting principles in the Company's adjustments that have not been disclosed to you in writing.

    c. Allegations, either written or oral, of deficiencies in internal control that could have a material effect on the Company's adjustments that have not been disclosed to you in writing.

d. False statements affecting the Company's adjustments made to you, our internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.

17. There are no material transactions that have not been properly recorded in the accounting records underlying the adjustments.

18. Receivables reported in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.

19. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

    a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

20. The Company has accounted for asset retirement obligations in accordance with FASB ASC 410-20, *Asset Retirement and Environmental Obligations -- Asset Retirement Obligations*. All legal obligations, including those under the doctrine of promissory estoppel, associated with the retirement of tangible long-lived assets have been recognized. The Company recognized the obligations at fair value.

21. The Company has appropriately grouped long-lived assets together for purposes of assessing impairment in accordance with FASB ASC 360, *Property, Plant and Equipment*. We have reviewed long-lived assets, including amortizable intangible assets, to be held and used, for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable. Provision has been made for any material adjustments to long-lived assets including amortizable intangible assets.

22. We are responsible for making the fair value measurements and disclosures included in the financial statements in accordance with FASB ASC 820, *Fair Value Measurement and Disclosures*, including determining the fair value of assets and liabilities for which there has been a significant decrease in the volume and level of activity in relation to the normal market activity for those assets or liabilities (or similar assets or liabilities) or for which transactions are deemed not orderly. As part of fulfilling this responsibility, we have established an accounting and financial reporting process for determining the fair value measurements and disclosures, in accordance with the fair value techniques included in FASB ASC 820, considered the appropriateness of valuation techniques, adequately supported any significant assumptions used, and ensured that the presentation and disclosure of the fair value measurements are in accordance with U.S. generally accepted accounting principles including the disclosure requirements of FASB ASC 820. We believe the assumptions and techniques used by us, including those used by specialists engaged by us, are in accordance with the definition of fair value in FASB ASC 820 and the disclosures adequately describe the level of the inputs used in the fair value measurement, in accordance with the fair value hierarchy in FASB ASC 820.

23. We believe that all material expenditures that have been deferred to future periods will be recoverable.

24. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

25. Provision, when material, has been made for:

    a. Losses to be sustained from inability to fulfill any sales commitments.

    b. Losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

    c. Losses to be sustained as a result of the reduction of excess or obsolete inventories to their estimated net realizable value.

26. All sales transactions entered into by the Company are final and there are no side agreements with customers, or other terms in effect, which allow for the return of merchandise, except for defectiveness or other conditions covered by usual and customary warranties.

27. The Company has properly accounted for and disclosed those arrangements in which goods and services, or both, are to be delivered separately in a bundled sales arrangement in accordance with FASB ASC 605-25, *Revenue Recognition -- Multiple-Element Arrangements.*, as amended by FASB ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements* (FASB ASU 2009-13).

28. The financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.

29. A valuation allowance against deferred tax assets at the balance-sheet date is not considered necessary because it is more likely than not the deferred tax asset will be fully realized.

30. The calculations of current and deferred tax expense (benefit) and the measurement of the related current and deferred tax assets and liabilities have been determined based on appropriate provisions of applicable enacted tax laws and regulations.

31. Uncertain tax positions have been accounted for in accordance with the provisions of FASB ASC 740, *Income Taxes*.

32. We have not received any advice or opinion that contradicts the Company's support for the tax accrual related matters, that contradicts the Company's financial statement amounts and presentations, or that is necessary to understand the Company's tax accrual and related matters.

33. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Company's current period financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the

impact of the application of these policies and practices will be material to the financial statements in future periods.

Further, we confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles.

Very truly yours,

Tri-County Telephone Company, Inc.

Gregg W. Smith
Chief Financial and Business Intelligence Officer
E. Ritter Communications Holdings, Inc.
Tri-County Telephone Company, Inc.

Crystal Harris-Dancer
Director of Accounting
E. Ritter Communications Holdings, Inc.
Tri-County Telephone Company, Inc.

William F. Harrison
Chief Financial Officer, E. Ritter & Company
Secretary/Treasurer, Tri-County Telephone Company, Inc.

KPMG

KPMG LLP
Suite 900
50 North Front Street
Memphis, TN 38103-1194

May 1, 2013

Audit Committee
E. Ritter & Company
Marked Tree, Arkansas

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of E. Ritter & Company (the Company) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. The identified significant deficiency described below is not considered to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Company's internal control to be significant deficiencies:

Nonroutine Transactions

The Company's existing control structure failed to prevent or detect a number of errors related to the presentation and disclosure of certain activities related to acquisitions and divestitures. We recommend that management reevaluate their control structure regarding the accounting, presentation and disclosure for nonrecurring transactions.

Management Response

Management agrees that our operating structure was not effective in developing the information needed to properly record and document the purchase accounting details of the Millington acquisition transaction on a timely and accurate basis. We underestimated the complexity of the task, under-resourced the implementation, and required more support from KPMG than should have been required. Our accounting systems and processes are focused on recording transactions and issuing internal financial statements. In 2013, we must develop additional capacity to manage our external financial reporting and to be prepared for future transactions as we grow the Company.

This communication is intended solely for the information and use of management, the audit committee of E. Ritter & Company, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. E. Ritter & Company's written response to the significant deficiency identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Very truly yours,

KPMG LLP

Memphis, Tennessee